

SPRING 2015



# Retirement Report

CITY OF MESA  
DEFERRED COMPENSATION PLAN

## To Rollover or not to Rollover... That is the Question

Retirement brings many decisions and one of the most important ones is, "What do I do with my retirement plan account balance? Should I leave it in my employer's retirement plan or roll it over to an IRA?" Making that decision is not as easy as it appears.

We are bombarded with television ads sponsored by financial service firms, each one trying to sell its retirement planning products as the best solution. Think about how often you find an invitation in your mail box offering a "free" dinner at a fancy restaurant and all you have to do is sit through a retirement seminar, usually put on by someone you know nothing about.

Do you want to invest your money with a stranger or leave it where you know the funds and regulatory compliance will be monitored in the best interests of plan participants? The ability to leave your retirement account balance in your employer's retirement plan

will depend on how the plan is designed. Historically plan sponsors have forced retirees to take their money out at retirement either as a lump sum or an IRA rollover.



The number of retirement plans allowing retirees to leave their money in the plan, post retirement, is on the rise. Many plan sponsors have added installment distributions that allow retirees to access their money as needed instead of all at once.

Let's look at some of the reasons to leave your money in your employer's retirement plan.

### Lower Investment Fees

Chances are the money in your employer's retirement plan is invested in low cost institutional mutual fund shares. These low cost options have high minimum balance requirements, putting them out of range for the average retiree. Most IRAs invest in higher cost retail mutual fund shares, meaning you pay a higher price for the same fund.

To help understand the cost difference, think of your retirement plan as group insurance and your IRA as individual insurance.



*Continued on page 2*

## To Rollover or not to Rollover... That is the Question

Continued from cover

The group has buying power that the individual does not, so the cost of the same policy is much less at the group level than the individual. The differences in fees between these two share classes may have a negative impact on your account balance over time.

It is important to fully understand all of the fees associated with leaving your money in the plan. Additionally you want to be sure that you have a clear understanding of the true costs involved in opening and maintaining an IRA and compare the differences. Often the IRA comes with wealth management fees, transaction fees and commissions. Usually these types of fee won't be charged to participants in your employer's retirement plan.

### **Waiver of 10% early withdrawal penalty**

If you are age 55 or will turn 55 during the calendar year you decide to retire or terminate your employment, you may be able to pull money from your retirement plan account on an as needed basis prior to age 59 ½ and avoid the 10% early withdrawal penalty.

In contrast, if you rolled over your account to an IRA, the waiver may not apply and any withdrawals you make prior to age 59 ½ may be subject to the 10% early withdrawal penalty.

### **Investment and Education Services**

If your employer's retirement plan offers retirees services such as investment advice, managed accounts, and retirement planning, weigh what you might be giving up if you decide to rollover your account to an IRA and be sure to understand what

costs are involved in obtaining those services on your own as opposed to remaining in the plan.



These are just a few of the reasons to keep your money in your employer's retirement plan. Ultimately the decision to leave your money in the plan or roll it over to an IRA rests with you. Before you make that decision, talk to your plan administrator about your options as a retiree, and be sure to consult with your tax or legal counsel to make sure the decision makes sense for you.

### **Whom do I call for help?**

#### **Investment Questions**

Contact: Scott Taylor  
Great-West Retirement Services  
480.921.2885  
scott.taylor@gwrs.com

#### **The Plan's Investment Consultant**

Innovest Portfolio Solutions  
4643 S. Ulster St., Suite 1040  
Denver, CO 80237  
303.694.1900 | [www.innovestinc.com](http://www.innovestinc.com)

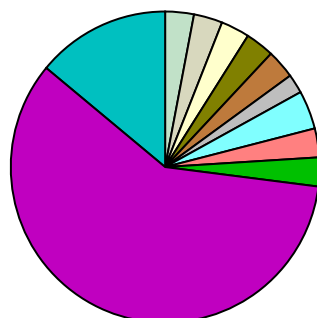
# Mesa Conservative Portfolio

03/31/15

## Who typically uses this portfolio?

<b>Current Age:</b>	over 60
<b>Risk Level:</b>	Low
<b>Expected Return:</b>	Low
<b><u>Time Horizon:</u></b>	
<b>Years to Age 65:</b>	under 5
<b>Years to Age 85:</b>	under 25
<b>Expense Ratio (%)</b>	0.53

## Portfolio Allocation (%)



Aston:M&C Growth;N (MCGFX)	3.0
MainStay:Lg Cap Gr;I (MLAIX)	3.0
Dodge & Cox Stock (DODGX)	3.0
Allianz:GI NFJ DV;Inst (NFJEX)	3.0
Artisan:Mid Cap;Inv (ARTMX)	3.0
Cambiar Small Cap;Inst (CAMZX)	2.0
Dodge & Cox Intl Stock (DODFX)	4.0
Artisan:Internatl;Inv (ARTIX)	3.0
DFA Emg Mkts Core Eq;I (DFCEX)	3.0
Met West:Total Return;I (MWTIX)	59.0
Mesa/Great West Custom Stable Value	14.0

## Past Performance (%)\*

	Last Quarter	YTD	1 Year	3 Years	5 Years	10 Years
Mesa Conservative Portfolio	1.53	1.53	4.45	5.88	5.96	5.61

## Understanding Your Professionally-Managed Portfolios

### Who typically uses this portfolio?

**Current Age:** The age (today) of an average investor with time horizon, risk level, and return expectations of the Conservative Portfolio.

**Time Horizon:** Indicates the number of years (time horizon) to the average retirement age of 65, when the investor will begin spending the money in their account, and the number of years to assumed life expectancy of age 85.

**Risk Level:** The amount of expected risk in the Conservative Portfolio. Risk is measured by the potential loss over a 12-month period that an investor might expect in the Conservative Portfolio, and is calculated via a statistical process consistent with 95% probability.

**Low:** 0% to -14%

**Expected Return:** The level of expected investment return from the Conservative Portfolio. The range of returns shown below indicates the potential gain that an investor might expect each year, on average, over a 5-year period. This is also referred to as the "mean" return, and is calculated using a statistical process to determine a range of probabilities.

**Low:** 5% to 7%

### Past Performance

Investment performance results shown above represent past performance and are not indicative of future results. Please read the information contained in the applicable fund prospectuses carefully before investing money.

### How is the portfolio diversified?

The pie chart and accompanying data shown for each portfolio illustrates the percentage allocated to each fund.

\*Innovest relies on 3rd party data for these returns. Periods greater than one year are annualized.

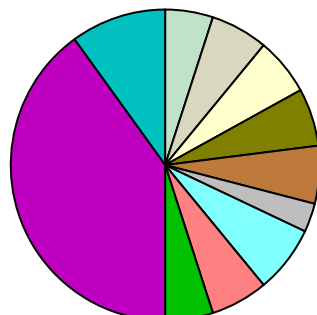
# Mesa Moderate Portfolio

03/31/15

## Who typically uses this portfolio?

<b>Current Age:</b>	40 - 60
<b>Risk Level:</b>	Moderate
<b>Expected Return:</b>	Moderate
<b><u>Time Horizon:</u></b>	
<b>Years to Age 65:</b>	5 - 25
<b>Years to Age 85:</b>	25 - 45
<b>Expense Ratio (%)</b>	0.63

## Portfolio Allocation (%)



Aston:M&C Growth;N (MCGFX)	5.0
MainStay:Lg Cap Gr;I (MLAIX)	6.0
Dodge & Cox Stock (DODGX)	6.0
Allianz:GI NFJ DV;Inst (NFJEX)	6.0
Artisan:Mid Cap;Inv (ARTMX)	6.0
Cambiar Small Cap;Inst (CAMZX)	3.0
Dodge & Cox Intl Stock (DODFX)	7.0
Artisan:Internatl;Inv (ARTIX)	6.0
DFA Emg Mkts Core Eq;I (DFCEX)	5.0
Met West:Total Return;I (MWTIX)	40.0
Mesa/Great West Custom Stable Value	10.0

## Past Performance (%)\*

	Last Quarter	YTD	1 Year	3 Years	5 Years	10 Years
Mesa Moderate Portfolio	1.75	1.75	4.96	8.31	8.02	6.58

## Understanding Your Professionally-Managed Portfolios

### Who typically uses this portfolio?

**Current Age:** : The age (today) of an average investor with time horizon, risk level, and return expectation of the Moderate Portfolio.

**Time Horizon:** Indicates the number of years (time horizon) to the average retirement age of 65, when the investor will begin spending the money in their account, and the number of years to assumed life expectancy of age 85.

**Risk Level:** The amount of expected risk in the Moderate Portfolio. Risk is measured by the potential loss over a 12-month period that an investor might expect in the Moderate Portfolio, and is calculated via a statistical process consistent with 95% probability.

**Moderate:** -14% to -20%

**Expected Return:** The level of expected investment return from the Moderate Portfolio. The range of returns shown below indicates the potential gain that an investor might expect each year, on average, over a 5-year period. This is also referred to as the "mean" return, and is calculated using a statistical process to determine a range of probabilities.

**Moderate:** 6% to 8%

### Past Performance

Investment performance results shown above represent past performance and are not indicative of future results. Please read the information contained in the applicable fund prospectuses carefully before investing money.

### How is the portfolio diversified?

The pie chart and accompanying data shown for each portfolio illustrates the percentage allocated to each fund.

\*Innovest relies on 3rd party data for these returns. Periods greater than one year are annualized.



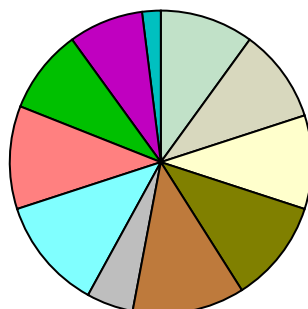
# Mesa Aggressive Portfolio

03/31/15

## Who typically uses this portfolio?

<b>Current Age:</b>	30 - 50
<b>Risk Level:</b>	High
<b>Expected Return:</b>	High
<b><u>Time Horizon:</u></b>	
<b>Years to Age 65:</b>	15 - 35
<b>Years to Age 85:</b>	35 - 55
<b>Expense Ratio (%)</b>	0.82

## Portfolio Allocation (%)



Aston:M&C Growth;N (MCGFX)	10.0
MainStay:Lg Cap Gr;I (MLAIX)	10.0
Dodge & Cox Stock (DODGX)	10.0
Allianz:GI NFJ DV;Inst (NFJEX)	11.0
Artisan:Mid Cap;Inv (ARTMX)	12.0
Cambiar Small Cap;Inst (CAMZX)	5.0
Dodge & Cox Intl Stock (DODFX)	12.0
Artisan:Internatl;Inv (ARTIX)	11.0
DFA Emg Mkts Core Eq;I (DFCEX)	9.0
Met West:Total Return;I (MWTIX)	8.0
Mesa/Great West Custom Stable Value	2.0

## Past Performance (%)\*

	Last Quarter	YTD	1 Year	3 Years	5 Years	10 Years
Mesa Aggressive Portfolio	2.19	2.19	5.94	11.92	10.88	7.47

## Understanding Your Professionally-Managed Portfolios

### Who typically uses this portfolio?

**Current Age :** The age (today) of an average investor with time horizon, risk level, and return expectation of the Aggressive Portfolio.

**Time Horizon:** Indicates the number of years (time horizon) to the average retirement age of 65, when the investor will begin spending the money in their account, and the number of years to assumed life expectancy of age 85.

**Risk Level:** The amount of expected risk in the Aggressive Portfolio. Risk is measured by the potential loss over a 12-month period that an investor might expect in the Aggressive Portfolio, and is calculated via a statistical process consistent with 95% probability.

**High:** -20% to -26%

**Expected Return:** The level of expected investment return from the Aggressive Portfolio. The range of returns shown below indicates the potential gain that an investor might expect each year, on average, over a 5-year period. This is also referred to as the "mean" return, and is calculated using a statistical process to determine a range of probabilities.

**High:** 7% to 9%

### Past Performance

Investment performance results shown above represent past performance and are not indicative of future results. Please read the information contained in the applicable fund prospectuses carefully before investing money.

### How is the portfolio diversified?

The pie chart and accompanying data shown for each portfolio illustrates the percentage allocated to each fund.

\*Innovest relies on 3rd party data for these returns. Periods greater than one year are annualized.

City of Mesa

## Comparison of Plan Expenses for the City of Mesa 457 Retirement Plan

Plan Expenses - Expenses for your retirement plan include investment, record-keeping (accounting and reporting), customer service, participant education, trust and custody. The table below provides a comparison between annual plan expenses for the average 401(k) retirement plan (as a percentage of assets) and the actual expenses for the City of Mesa 457 Retirement Plan. Source: 401(k) Source Data.

Average 401(k) Plan Expenses	0.94%	City of Mesa 457 Plan Expense Estimate	0.53%
------------------------------	-------	--	-------

Your retirement plan offers many different mutual fund investment options that cover a broad range of risk and investment opportunities. Each fund charges fees for management and operating expenses. These fees are referred to as the expense ratio. This is the percentage of fund assets paid for operating expenses and management fees. The expense ratio typically includes the following types of fees: accounting, administrator, advisor, auditor, board of directors, custodial, distribution (12b-1), legal, organizational, professional, registration, shareholder reporting, sub-advisor, and transfer agency. The table below provides a comparison between the median category expense ratio and the actual expense ratio of funds offered through the City of Mesa 457 Retirement Plan. Source: Innovest Portfolio Solutions LLC.

City of Mesa 457 Plan Fund Name	Fund Objective/Category	Ticker	Category Median Expense Ratio	Category Annual Expense For Each \$1,000	Mutual Fund Expense Ratio	Mutual Fund Annual Expense For Each \$1,000
Fidelity Contrafund	Lg Cap Growth	FCNTX	1.33%	\$ 13.30	0.66%	\$ 6.60
Vanguard Institutional Index Instl	Lg Cap Broad	VINIX	1.14%	\$ 11.40	0.04%	\$ 0.40
Aston/Montag & Caldwell Growth	Lg Cap Growth	MCGFX	1.33%	\$ 13.30	1.04%	\$ 10.40
MainStay Large Cap Growth I	Lg Cap Growth	MLAIX	1.20%	\$ 12.00	0.77%	\$ 7.70
Dodge & Cox Stock	Lg Cap Value	DODGX	1.12%	\$ 11.20	0.52%	\$ 5.20
Allianz NFJ Dividend Value Instl	Lg Cap Value	NFJEX	1.12%	\$ 11.20	0.70%	\$ 7.00
Vanguard Mid Capitalization Index Admiral	Mid Cap Broad	VIMAX	1.21%	\$ 12.10	0.09%	\$ 0.90
Artisan Mid Cap Inv	Mid Cap Growth	ARTMX	1.41%	\$ 14.10	1.22%	\$ 12.20
JH Disciplined Mid Cap Value	Mid Cap Value	JVMIX	1.26%	\$ 12.60	0.90%	\$ 9.00
Vanguard Small Cap Index Admiral	Sm Cap Broad	VSMAX	1.21%	\$ 12.10	0.09%	\$ 0.90
Cambiar Small Cap	Sm Cap Value	CAMZX	1.35%	\$ 13.50	1.06%	\$ 10.60
Kalmar Growth-with-Value Small Cap	Sm Cap Growth	KGSCX	1.20%	\$ 12.00	1.29%	\$ 12.90
Artisan International Inv	International Lg Cap Growth	ARTIX	1.28%	\$ 12.80	1.20%	\$ 12.00
American Funds EuroPacific Gr R5	International Lg Cap Core	RERFX	1.31%	\$ 13.10	0.54%	\$ 5.40
Dodge & Cox International Stock	International Lg Cap Value	DODFX	1.25%	\$ 12.50	0.64%	\$ 6.40
Oppenheimer Global A	Intl Eq Non US	OPPAX	1.48%	\$ 14.80	1.19%	\$ 11.90
DFA Emerging Markets Core Equity	Emerging Markets	DFCEX	1.52%	\$ 15.20	0.68%	\$ 6.80
Met West Total Return	Core Bond	MWTIX	0.82%	\$ 8.20	0.40%	\$ 4.00
Voya Global Real Estate A	Real Estate	IGLAX	1.45%	\$ 14.50	1.31%	\$ 13.10
JPMorgan High Yield Select	High Yield	OHYFX	1.11%	\$ 11.10	0.81%	\$ 8.10
Great West Fixed Portfolio	Fixed Income		0.50%	\$ 5.00	0.47%	\$ 4.70
T. Rowe Price Retirement 2010	Target Date	TRRAX	0.58%	\$ 5.80	0.61%	\$ 6.10
T. Rowe Price Retirement 2015	Target Date	TRRGX	0.88%	\$ 8.80	0.65%	\$ 6.50
T. Rowe Price Retirement 2020	Target Date	TRRBX	0.81%	\$ 8.10	0.69%	\$ 6.90
T. Rowe Price Retirement 2025	Target Date	TRRHX	0.88%	\$ 8.80	0.72%	\$ 7.20
T. Rowe Price Retirement 2030	Target Date	TRRCX	0.82%	\$ 8.20	0.74%	\$ 7.40
T. Rowe Price Retirement 2035	Target Date	TRRJX	0.91%	\$ 9.10	0.76%	\$ 7.60
T. Rowe Price Retirement 2040	Target Date	TRRDX	0.86%	\$ 8.60	0.76%	\$ 7.60
T. Rowe Price Retirement 2045	Target Date	TRRKX	0.93%	\$ 9.30	0.76%	\$ 7.60
T. Rowe Price Retirement 2050	Target Date	TRRMX	0.82%	\$ 8.20	0.76%	\$ 7.60
T. Rowe Price Retirement Income	Target Date	TRRIX	0.63%	\$ 6.30	0.56%	\$ 5.60